

# 450%

Cumulative total shareholder return of 450% over the last 15 years

*Through December 31, 2015, including reinvestment of dividends*

Our principal business focus is **building additional value** into our enterprise through **selective and strategic acquisitions, disciplined lending, and a consistent approach** to business regardless of economic conditions.

Our goal is to generate average annual **total shareholder return above 10%** over time.

### Investment Profile At-a-Glance

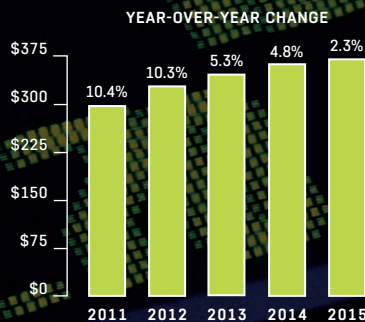
Assets	\$8.62 billion At 3/31/16
Closing Price	\$39.57 At 4/29/16
Market Cap	\$1.75 billion At 4/29/16
Price/Earnings (TTM)	18.0
Price/Tangible Book Value	2.4
Dividend	\$1.24 Annualized for most recent quarter
Dividend Yield	3.13% Based on closing price of \$39.57 on 4/29/16
Dividend Payout Ratio	56%
Shares Outstanding	44.1 million
Av. Trading Volume	~166,000 3-month average 4/29/16
Institutional Ownership	154 positions 27.2 million shares 63%

### Exceptional Performance

With strong balance sheet growth, earnings momentum and stable credit quality through 2015, Community Bank remains solidly positioned for 2016 and beyond. Our business approach successfully balances growth and operating efficiency, even as we've made infrastructure investments in operations, capital planning, risk management and compliance. Careful expense management supports steady and substantial earnings growth, which has driven increased dividend capacity along with robust internal capital generation. Our consistently strong asset quality and efficient use of capital further contribute to outstanding value creation.

### Revenue Growth

In millions



### Results/Performance Drivers Q1 2015-16

- Net revenue increase of 18.3%
- Net interest income increase of 11.8%; net interest margin of 3.67% vs. 3.83% in 1Q 2015
- Noninterest income increase of 31.8%
- Noninterest expense increase of 21.7%, excluding acquisition expenses
- Provision for credit losses \$1.3 million
- Net charge-offs / average loans ratio – 0.10%
- Nonperforming loans / loans outstanding ratio – 0.54%

### Stock Ownership

12/31/15

Institutional – Active Managed  
31%



32%  
Institutional – Passive or Index Managed



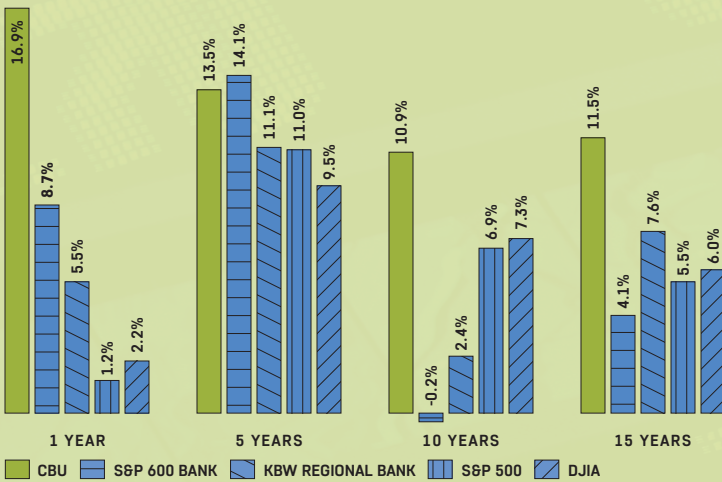
# \$10B

We will be fully prepared to meet the higher organizational expectations of a \$10 billion institution.

- We are ready for a future in which a larger Community Bank provides outstanding service to our customers – and superior returns to our shareholders – while operating within the more rigorous expectations put upon banks of \$10B or more in assets.
- We have invested a significant amount of time and resources addressing the specific challenges, alternatives and pathways for approaching the \$10B threshold.
- We believe that we'll be fully prepared to effectively hurdle the \$10B threshold at the appropriate time.

## Total Average Annual Shareholder Returns

Through April 30, 2016, Including Reinvestment of Dividends



Source: Bloomberg

## Investment Considerations

Consistent and effective execution

Relentless focus on creating shareholder value through superior performance and growing dividends

Disciplined approach to growth through an against-the-grain branch-centric philosophy and a record of successful and accretive acquisitions

Top two deposit market share in 75% of towns with Community Bank branches

Diversification driving noninterest income expansion to 36% of revenues

Meaningful dividend and yield

Effective and proven business model, built for tomorrow

Positioned to exceed the \$10 billion asset threshold in the near future

Retail Banking.  
 Business Banking.  
 Benefit Plan Administration.  
 Wealth Management and Insurance.

### Focused Business Approach

Community Bank System, Inc.'s (NYSE: CBU) objective, year in and year out, is to utilize our unique operating model to create superior returns for our investors and a superior experience for our customers. It is no secret that we operate in slow growth markets where many larger competitors have exited. We continue to create long-term double digit returns for investors by functioning as a well-run, disciplined company with a relatively low-risk profile within these smaller towns and villages. Our strong retail banking franchise has proven capable of attracting a leading market share position in each of these regions. And, we augment the limited organic growth opportunities with high-value acquisitions that strengthen our competitive position and customer convenience in existing markets, or enable us to push out the boundaries of our service areas. Importantly, we are also an active acquirer of fee-based financial services businesses which diversify our revenue stream, expand our service offerings and reduce dependence on interest income.

Today, we operate more than 200 customer facilities across Upstate New York and Northeastern Pennsylvania through our banking subsidiary, Community Bank, N.A. With assets of approximately \$8.6 billion, we are among the country's 150 largest financial institutions.

### Industry Recognition

**8th Best Bank in America** in Forbes.com's 2016 analysis of the 100 largest US banks. In the seven years that Forbes has produced this analysis, CBU has ranked 12th or higher.

**Most Trustworthy Bank** for Northeast U.S., as surveyed and reported in Sept. 2015 by MSR Group, a research firm that specializes in customer experience within the retail banking sector.

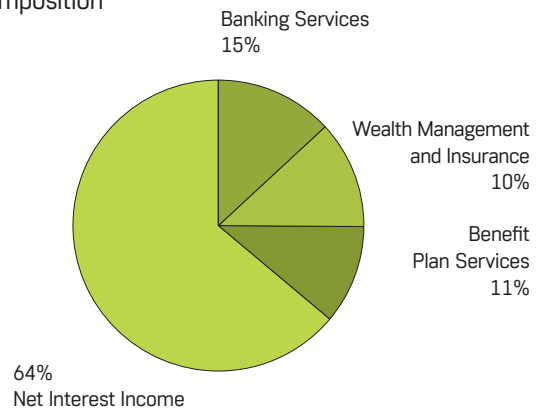
**Easiest Bank to do Business With** in Northeast U.S., MSR Group, Sept. 2015.

**Silver Award Winner**, Northeast U.S., for MSR Group's "Net Advocacy Rating," a measure that identifies customers who consider themselves "advocates" of their bank; Sept. 2015.

**S&P High Yield Dividend Aristocrat** 23 consecutive years of increased cash dividends.

### Diversified Business at a Glance

Total Revenue Composition  
 2016 First Quarter



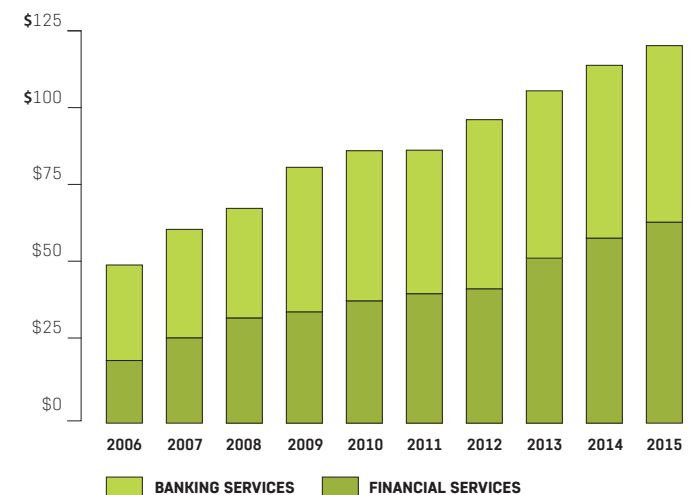
### Business Lending

In millions  
 9-Year CAGR = 5.2%



### Noninterest Income<sup>1</sup>

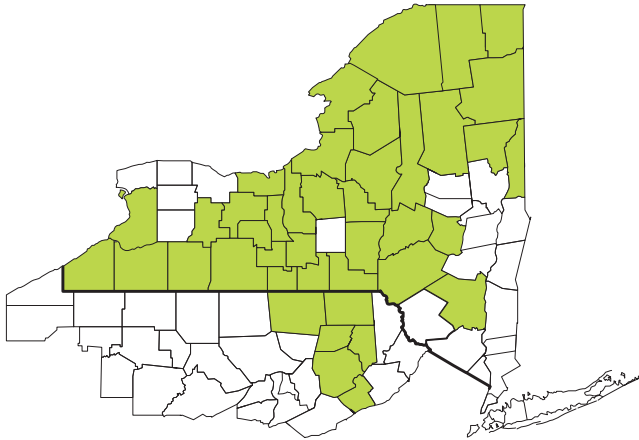
In millions  
 9-Year CAGR = 10.1%



<sup>1</sup> Excluding securities gains/losses and debt extinguishment charges

MARKET-LEADING BRANCH SYSTEM

Branch Locations	200+
ATMs	202
Towns/Cities	158
1st/2nd Market Share	117
Counties (NY/PA)	42
Total Deposits	\$7.1 B 3/31/16

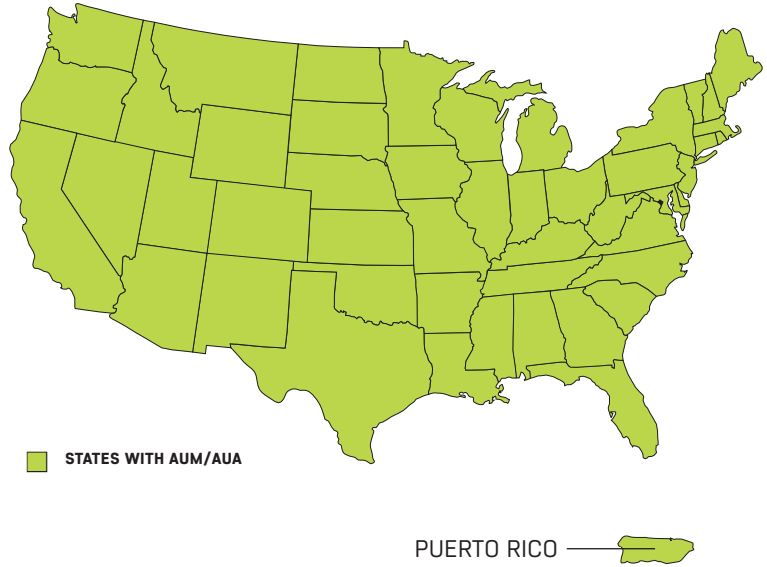


COUNTIES WITH RETAIL BANKING LOCATIONS

- Serving predominately non-urban markets provides stable, 2%-5% growth a year
- Consistent strategy with "plug-and-play" execution across our branch network
- Effective focus on core accounts
- 1st or 2nd deposit market share in 75% of the towns with a Community Bank branch
- Top 2 market share in 15 of 42 counties; 59% of CBU's deposits are in these counties
- 25%+ market share in 14 counties; 54% of CBU's deposits are in these counties
- Local customer approach yields average loan sizes which are uniquely granular for a bank of our size: Avg. Commercial Loan: \$301,000; Avg. Indirect Consumer Loan: \$17,000
- Loan growth trends consistent with non-urban market characteristics: "no boom, no bust"

Financial Services: Reach Beyond our Footprint

National Financial Services Reach



- Financial services revenue provided by our Benefit Plans Administration (BPAS) and Wealth Management and Insurance groups comprise more than half of Community Bank's non-interest income
- Low capital requirements and scalable technology platforms make returns particularly robust relative to risk taken
- Specialized expertise gained through strategic acquisitions provides competitive edge and niche growth opportunities

BPAS

- National provider of retirement plan administration and related services
- 10 offices nationwide, with 260 retirement plan professionals and more than \$19B of assets under custody
- Serving more than 4,000 retirement plans and 400,000 participants through partnerships with financial advisors



- Through one point of contact, customers have access to a wide range of specialized services
- Full Suite of Financial Services Provided Under One Roof:
  - Full Service Brokerage and Insurance Firm
  - Registered Investment Advisory Firm
  - Personal and Institutional Trust Services
  - Property and Casualty Insurance
- 2015 revenue totaled \$20.2M, or 6% of Community Bank's revenue
- 16% compound annual average growth over the last five years



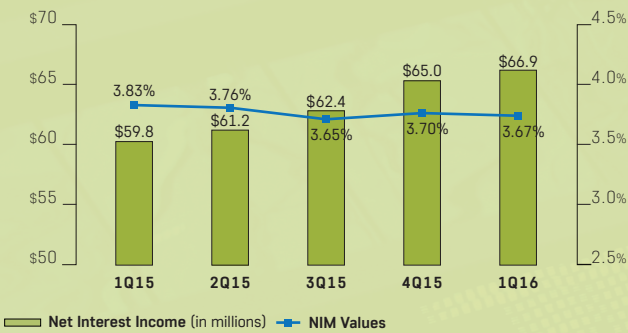
## Acquisition Strategy

- Successful completion of 18 bank acquisitions since 1995
- Particularly active since 2006, adding a net of 80+ retail locations and 58 new markets through eight branch or whole-bank acquisitions
- Successful completion of 9 financial services business acquisitions since 1996, driving meaningful diversification and growth of noninterest revenue sources
- Today, more than 50% of fee revenue comes from benefits administration, wealth management and insurance businesses
- In 2015, revenues from these business totaled more than \$65 million, up 66% in just five years

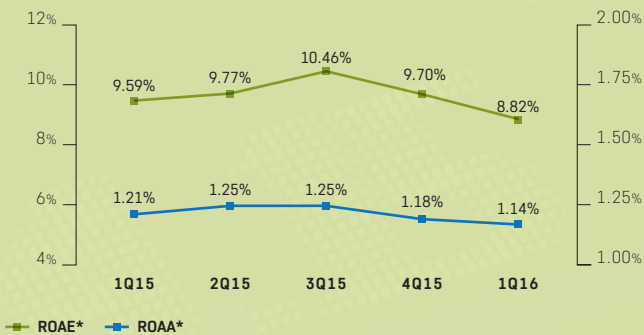
## 2016 Outlook

- Continued growth in non-interest revenues
- Focused expense management
- Continued strong asset quality
- Significant excess capital positioning the Company for organic growth / M&A / repurchases
- Low single-digit annual loan and deposit growth, consistent with market demand characteristics

## Net Interest Income and NIM



## Adjusted ROAE/ROAA



\* Excludes acquisition expenses and gains/losses on sales of investment securities

## Selected Financial Highlights

### Income Statement Data

In millions	2015	2012	2009	2006	CAGR (9-year)
Net interest income	\$ 248.4	\$ 230.4	\$ 165.5	\$ 134.8	7.0%
Noninterest income	123.3	99.0	83.5	51.7	10.1%
Total revenue	371.7	329.4	249.0	186.5	8.0%
Operating expenses	233.1	211.8	186.2	129.6	6.7%
Provision for loan loss	6.4	9.1	9.9	6.6	(0.3)%
Net income	\$ 91.2	\$ 77.1	\$ 41.4	\$ 38.4	10.2%
Net interest margin	3.73%	3.88%	3.80%	3.91%	N/A

### Per Share Data

Diluted earnings per share	\$ 2.19	\$ 1.93	\$ 1.26	\$ 1.26	6.3%
Operating earnings per share <sup>1</sup>	2.30	2.03	1.51	1.33	6.3%
Cash dividends declared	1.22	1.06	0.88	0.78	5.1%
Book value	26.06	22.78	17.25	15.37	6.0%
Tangible book value	\$ 15.90	\$ 13.72	\$ 8.09	\$ 7.17	9.2%

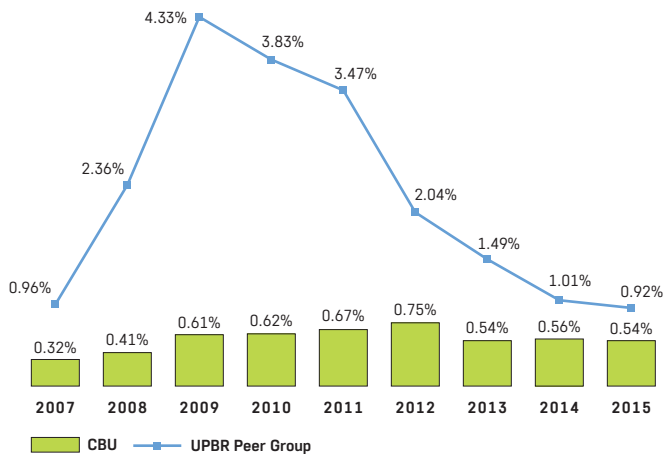
### Balance Sheet Data

(end of period, in millions)	2015	2012	2009	2006	CAGR
Assets	\$ 8,553	\$ 7,497	\$ 5,403	\$ 4,498	7.4%
Loans, net	4,801	3,866	3,099	2,702	6.6%
Deposits	6,873	5,628	3,924	3,168	9.0%
Shareholders' equity	\$ 1,141	\$ 903	\$ 566	\$ 462	10.6%

<sup>1</sup> Operating earnings per share excludes the tax-effected impact of any gains or losses on sales of investment securities and debt extinguishments, acquisition expenses, litigation settlements, and other special charges.

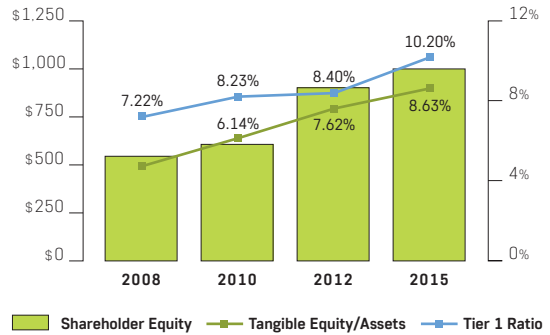
## Consistent Exceptional Asset Quality

Nonperforming Loans to Total Loans



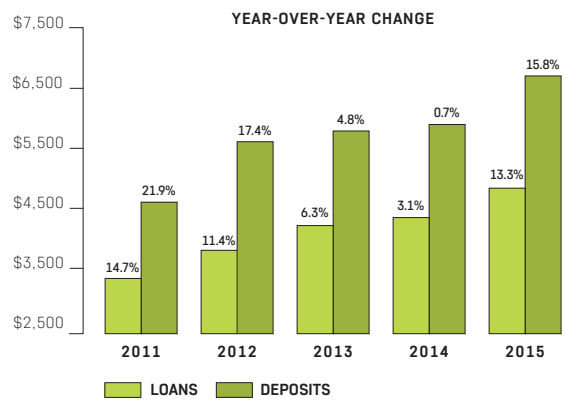
## Shareholders' Equity

In millions



## Loan and Deposit Growth

In millions



## Analyst Coverage

The following analysts published research about Community Bank System in [2015]:

American Capital Partners	Piper Jaffray Companies
Anthony Polini	Matthew Breese
Boenning & Scattergood	Raymond James
Matthew Schultheis	William Wallace
Hovde Group LLC	RBC Capital Markets
Joseph Fenech	Jake Civiello
Keefe, Bruyette & Woods Inc.	Sandler O'Neill
Collyn Gilbert	Alexander Twerdahl

## Investor Relations Contact

Ms. Josephine Anne E. Rurka  
 Investor Relations Department  
 Community Bank System, Inc.  
 5790 Widewaters Parkway  
 DeWitt, NY 13214-1883  
 315.445.7300  
[josie.rurka@communitybankna.com](mailto:josie.rurka@communitybankna.com)

## Safe Harbor Statement

The Community Bank System, Inc. "Investor Fact Sheet" may contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements involve risks and uncertainties that could cause actual results to differ materially from the results discussed in these statements. These risks are detailed in the Company's latest form 10-Q and 10-K filed with the Securities and Exchange Commission.